

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF MEWBOURNE OIL COMPANY
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

Case No. 20298

**MEWBOURNE OIL COMPANY'S
RESPONSE IN OPPOSITION TO MOTION TO SUSPEND DRILLING PERMIT**

Mewbourne Oil Company ("Mewbourne") files this response in opposition to the motion to suspend a drilling permit filed by Catena Resources Operating, LLC ("Catena"). The motion to suspend a drilling permit will be referenced as the "Catena Motion".

A. FACTS.

1. In this case, Mewbourne seeks an order pooling all mineral interests in the Bone Spring formation in a horizontal spacing unit comprised of the E/2W/2 of Section 21 and the E/2W/2 of Section 28, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico. The unit will be dedicated to the Charolais 21/28 B2CN State Com. Well No. 1H.

2. Catena's motion proposes to "immediately suspend Mewbourne Oil Company's drilling permits on Section 21, Township 19 South, Range 35 East" and the "applications... will not be limited to Case Nos. 20298, 20328, 20329" which are the only pending pooling applications including Section 21. *See* Catena Motion at 1.

3. Mewbourne owns 100% of the working interest in the W/2W/2 of Sections 21 and 28 which is not subject to a pending pooling case, yet would be impermissibly, adversely affected by Catena's motion.

4. Approximately three (3) months ago, in January 2019, Mewbourne proposed its Charolais 21/28 B2CN State Com. Well No. 1H to the parties of record. Although Catena is not a party of record, after hearing Catena may be acquiring an interest within the proposed spacing unit, Mewbourne additionally provided notice to Catena in the same month. In February 2019, Mewbourne informed Catena that it intended to commence drilling the W/2 of Sections 21 and 28 in March 2019.

5. In the E/2W/2 of Sections 21 and 28 Mewbourne owns 100% of the working interest in all but the E/2SW/4 of Section 21. In the E/2SW/4 of Section 21, Mewbourne owns 60% of the working interest. (As a result, Mewbourne owns 90% of the working interest in the proration unit covering the E/2W/2 of Sections 21 and 28 along with 100% of the working interest in the W/2W/2 of Sections 21 and 28.) Though Mewbourne cannot locate a conveyance in the public records, Catena claims to own 32 net acres in the E/2SW/4 of Section 21, or 10% of the horizontal spacing unit. *See Exhibit A.*

6. Mewbourne has a rig on location and plans to spud the Charolais 21/28 B2CN State Com. Well No. 1H today and drill the Charolais 21/28 B1DM State Com. Well No. #1H immediately thereafter. The units for the wells have been established in full compliance with the rules of the Division. Mewbourne owns an interest in each tract within the well unit, an APD was approved by the Division, and Mewbourne would be severely affected by a suspension of the valid APD. Further, Catena has known about MOC's drilling plans since February 2019. This last minute attempt to delay drilling is improper, baseless, and any delay will cause significant financial harm to MOC.

7. In addition, Mewbourne owns a farmout from Chevron with a term deadline covering approximately 3000 acres of land in this same area. A last-minute suspension of the

valid APD for this well would cause Mewbourne's correlative rights to be severely affected by possibly causing Mewbourne to miss obligation dates set forth within the farmout and a loss of rights associated therewith. Mewbourne has additional term assignment obligations covering the E/2SW/4 of Section 21.

8. Catena has not proposed Bone Spring wells in the W/2 of Section 21 or W/2 of 28. Catena's only well proposals in these tracts are for developing the Wolfcamp formation: the Cable 19-35-16 1H and the Anchor 19-35-28 #1H. Copies of the proposals are attached as Exhibits B & C. Catena is seeking to suspend Mewbourne's valid APD without a competing proposal.

9. Mewbourne has been working on this prospect since January 2018 and has already commenced operations. Mewbourne's APD was filed in November 2018, before Catena acquired its interest in Section 33. Catena was on notice of Mewbourne's plans before they acquired the lease in Section 33 and should have been aware that their development plan might not be viable.

10. Catena claims that it must be allowed to drill its wells, and that its acreage in Section 33 will be "stranded" if its motion is not granted. Looking at Exhibit D, (a) Catena can develop its acreage in Section 33 with standard horizontal proration units without interfering in Mewbourne's development plans and (b) Catena has the ability to form a two mile well unit in Sections 9 and 16 without interfering with Mewbourne's development plans. The clear majority of wells in this area have been developed on one-mile laterals (83% of Bone Spring wells on Exhibit D), and Catena is free to do so in Section 33. The suspension of valid APDs because of the claim that use of standard one-mile horizontal spacing units would "strand" acreage would set a dangerous precedent and undermine the definition of a proration unit.

11. Catena delayed seeking suspension of Mewbourne's valid permits until a rig was on location.

12. Mewbourne has valid APDs and a pooling order is not necessary to drill a well, NMSA 1978 70-2-17 (B & C); NMAC 19.15.16.15 (A) and NMAC 19.15-16.15.C(10).

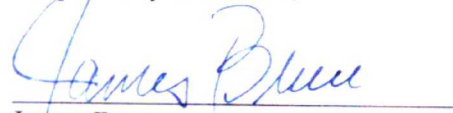
B. CONCLUSION.

13. Based on the foregoing, Mewbourne has complied with all Division requirements to pool, file permits, and drill the Charolais 21/28 B2CN State Com. Well No. 1H and Charolais 21/28 B2DM State Com. Well No. 1H and will be severely harmed by the suspension of the APDs.

14. Mewbourne's proposed development in Sections 21 & 28 will not impact Catena's correlative rights or cause waste in Section 33.

WHEREFORE, for the foregoing reasons, Mewbourne requests that Catena's motion be denied.

Respectfully submitted,



James Bruce
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Santa Fe, New Mexico 87504
(505) 982-2043

jamesbruc@aol.com

Attorney for Mewbourne Oil Company

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Cy Shook, being duly sworn upon his oath, deposes and states that: He is a landman for Mewbourne Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents of Part A; and the same are true and correct to the best of his knowledge, information, and belief.



Cy Shook

SUBSCRIBED AND SWORN TO before me this 3 day of April 2019 by Cy Shook.

My Commission Expires: 8-28-22

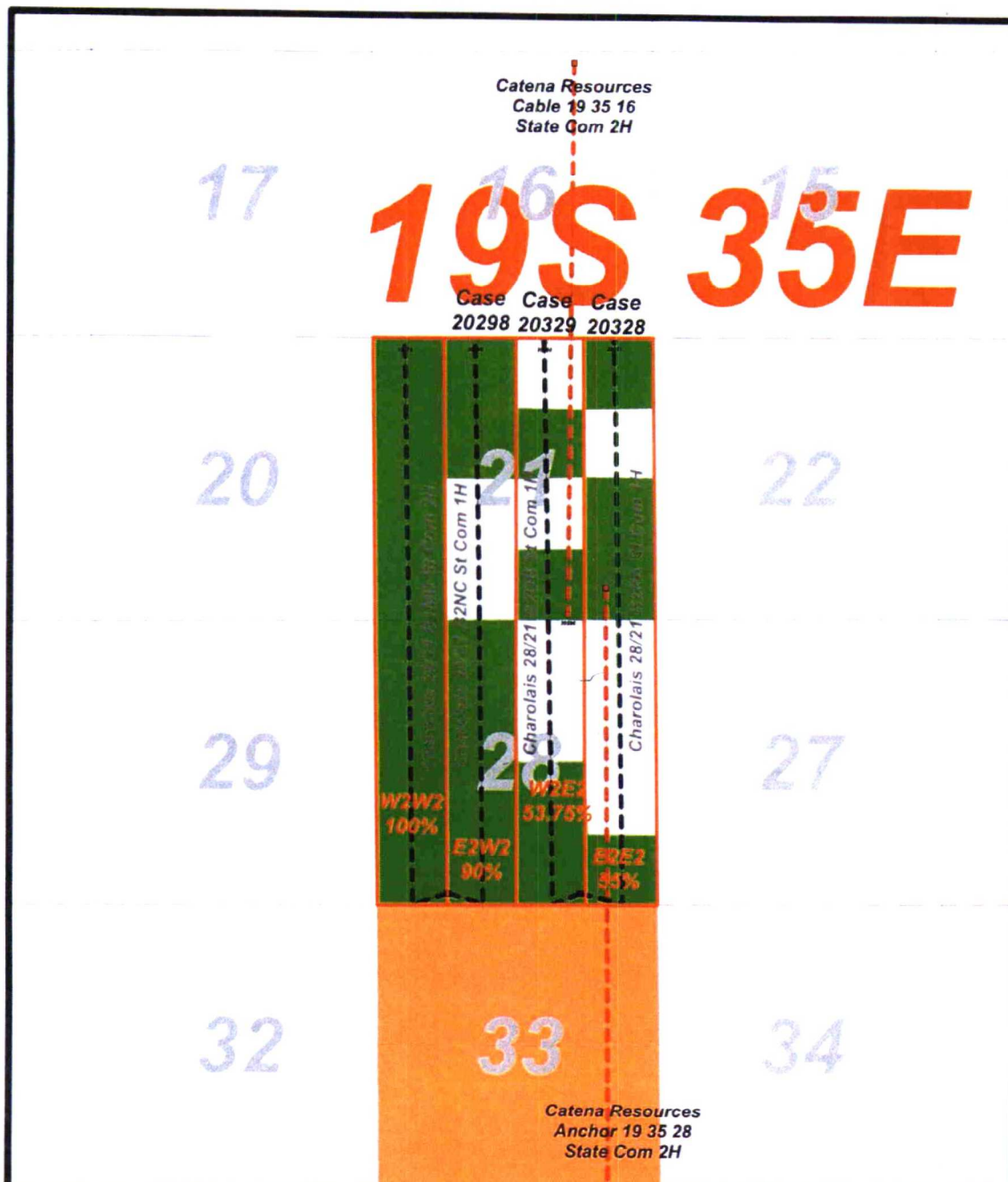
Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 27th day of April, 2019 by e-mail:

Sharon Shaheen
sshahen@montand.com

James Bruce



Mewbourne 100% Ownership

Mewbourne Partial Ownership

Catena 100% Ownership

Catena Partial Ownership

Mewbourne BSPG Proposal

Catena BSPG Proposal

**MOC Working Interest
in Proposed Proration Unit**

Mewbourne Oil Company

Mewbourne Charolais Bone Spring Proposals

Case 20298

Case 20328

Case 20329

4-2-2019	Line 1 (MOC)	New Mexico
Mewbourne Oil Company BSPG Proposal		N. C. 2019

EXHIBIT
A

[illegible]

EXHIBIT B

ATENA
RESOURCES

WELL NAME:
Cable 15-35-16 1H
2 sec. lateral,
Lea / NW
Wellcamp A

DATE:
2/14/19
START DATE:
COMPLETE DATE:
ORIGINAL:
SUPPLEMENT:

WELL COST ESTIMATE

AFE NO.
019003

INTANGIBLE COSTS	ACCT CODE	DRILLING - 3101X	ACCT CODE	COMPLETION - 3201X	ACCT CODE	FACILITIES - 3301X	TOTAL
Legal fees / Title Opinion	31001	\$560	32001		33001		\$560
Survey / Staking	31002	\$2,500	32002		33002		\$2,500
ROW / Survey / Permit / Permit	31003		32003		33003		\$0
Roads & Location / Reserve Pk - Construction	31004	\$15,879	32004	\$0	33004		\$15,879
Roads & Location / Reserve Pk - Reclamation	31005		32005		33005		\$0
Trac Pond	31006		32006		33006		\$0
Scale Guard	31007		32007	\$7,500	33007		\$7,500
Measure / Rathole / Conductor	31008	\$116,667	32008		33008		\$116,667
Demolition / Demolition	31009	\$513,552					\$513,552
Drilling - Drilling	31010						\$0
Drilling - Turnkey	31011						\$0
Completion / Snelburg / Workover Unit	31012	\$15,319	32010	\$22,000			\$37,319
Trailer Hoses / Communications	31013	\$80,000	32011	\$32,255			\$112,255
Drill Bits	31014	\$206,435	32012				\$206,435
Directional Equipment / Gyro Surveys	31015		32013	\$33,000			\$33,000
Directional Tool / Stabilization Rental	31016	\$53,884	32014	\$17,800			\$71,684
Fluid / Chemicals	31017	\$113,681	32015	\$15,293			\$128,974
Fuel / Power	31018		32016	\$892,000			\$892,000
Water Supply Well, equipment	31019	\$51,108	32017	\$75,000			\$126,108
Water / Water Hauling	31020	\$117,000	32018				\$117,000
White Water & Caddis Disposal	31021	\$14,276	32019	\$29,693			\$43,969
Inspection / Tubular Testing	31022	\$14,276	32020	\$114,000			\$128,276
Laydown Machine / Casing Crew / Tongs	31023	\$50,000	32021				\$50,000
Cementing, Pile Equipment & Services	31024	\$38,623	32022				\$38,623
Mud Logging	31025		32023				\$0
Logging - Open Hole	31026		32024				\$0
Logging - Cased Hole	31027		32025				\$0
Coring & Analysis, Drill Stem Test	31028		32026				\$0
Performing	31029		32027				\$0
Wireline / Slickline Services	31030	\$17,776	32028	\$326,818			\$344,594
Equipment Rental	31031	\$177,404	32029	\$165,509			\$342,913
Pumping Services/Rental	31032		32030	\$3,562,273			\$3,562,273
Acidizing & Fracturing	31033		32031	\$147,000			\$147,000
Flow Testing / Flow Unit	31034		32032	\$104,523			\$104,523
Flow Testing / Snelburg	31035		32033	\$7,500			\$7,500
Fishing / Sidetrack Services	31036		32034				\$0
Nipple Up / BOPF Testing	31037		32035	\$118,364	33003		\$118,364
Overhead	31038		32036	\$25,000	33004		\$25,000
Vehicle Consulting Services/Supervision	31039	\$152,553	32037	\$25,000	33005		\$177,553
Engineering / Geological / Lab Service Tracers and diagnostics	31040	\$22,720	32038	\$5,000	33006		\$27,720
Blowing / Blowing / Blowing	31041		32039	\$10,000	33007		\$10,000
Blowing / Blowing / Blowing	31042		32040		33008		\$0
Welding Services	31043	\$19,800	32041		33009		\$19,800
Insurance	31044		32042		33010		\$0
Miscellaneous	31045		32043	\$6,636	33011		\$6,636
SLA Costs	31046		32044	\$293,471	33012		\$293,471
5% Contingency (5% Taxes on Casing included in casing cost)	31047		32045		33013		\$0
NON-Op Drilling Intangible	31048		32046		33014		\$0
Pipeline Installation / Interschmitt	31049		32047		33015		\$0
TOTAL INTANGIBLE COSTS	31050	\$2,067,837		\$8,173,680	33016		\$10,241,517

TANGIBLE COSTS	ACCT CODE	DRILLING - 3111X	ACCT CODE	COMPLETION - 3211X	ACCT CODE	FACILITIES - 3311X	TOTAL
Conductor	31101		32101		33101		\$0
Surface Casing	31102	\$67,500	32102		33102		\$67,500
1st Intermediate Casing / Liner	31103	\$104,750	32103		33103		\$104,750
2nd Intermediate Casing / Liner	31104		32104	\$244,750	33104		\$244,750
Production Casing / Liner			32105		33105		\$0
Casing Cement / Cement			32106	\$46,339	33106		\$46,339
Liner Hanger Assembly			32107	\$15,000	33107		\$15,000
Tubing	31105	\$25,000	32108		33108		\$25,000
Casing Equipment - OHMS / ETC.			32109		33109		\$0
Wellhead Equipment			32110		33110		\$0
Pumping Unit / Prime Mover / Base			32111		33111		\$0
Electric Pumps / Sucker Bars			32112		33112		\$0
Artificial Lift Equipment			32113		33113		\$0
Wellhead Equipment Components			32114		33114		\$0
Tanks / Tank Steps / Stairs			32115		33115		\$0
Gas Treating / Dehydration Equipment			32116		33116		\$0
Separation Equipment, Heater Treater			32117		33117		\$0
Flowline Pumps			32118		33118		\$0
Buildings			32119		33119		\$0
Interconnect Piping / Manifolds / Headers			32120		33120		\$0
Flowlines / Connections / Valves			32121		33121		\$0
Automation / Instruments / Controls / Analyzers			32122		33122		\$0
Electrical Equipment / Generators			32123		33123		\$0
Control Systems / Relays & Related			32124		33124		\$0
Metering Equipment / LACT Unit			32125		33125		\$0
Chemical Equipment / Cathodic Protection			32126		33126		\$0
Subsurface Equipment - Pickers, Plugs, TAC			32127		33127		\$0
Safety / EMAS Equipment			32128		33128		\$0
NON-Op Drilling Intangible			32129		33129		\$0
Threats/HND Pumps & Equipment			32130		33130		\$0
TBD			32131		33131		\$0
Miscellaneous	31106	\$0	32132		33132		\$0
Contingency Costs	31107	\$0	32133		33133		\$0
TOTAL TANGIBLE COSTS		\$197,650		\$595,000			\$792,650
TOTAL WELL COSTS		\$2,265,487		\$8,768,680			\$11,034,167

Prepared by: Jason Edwards

Date: 2/14/2019

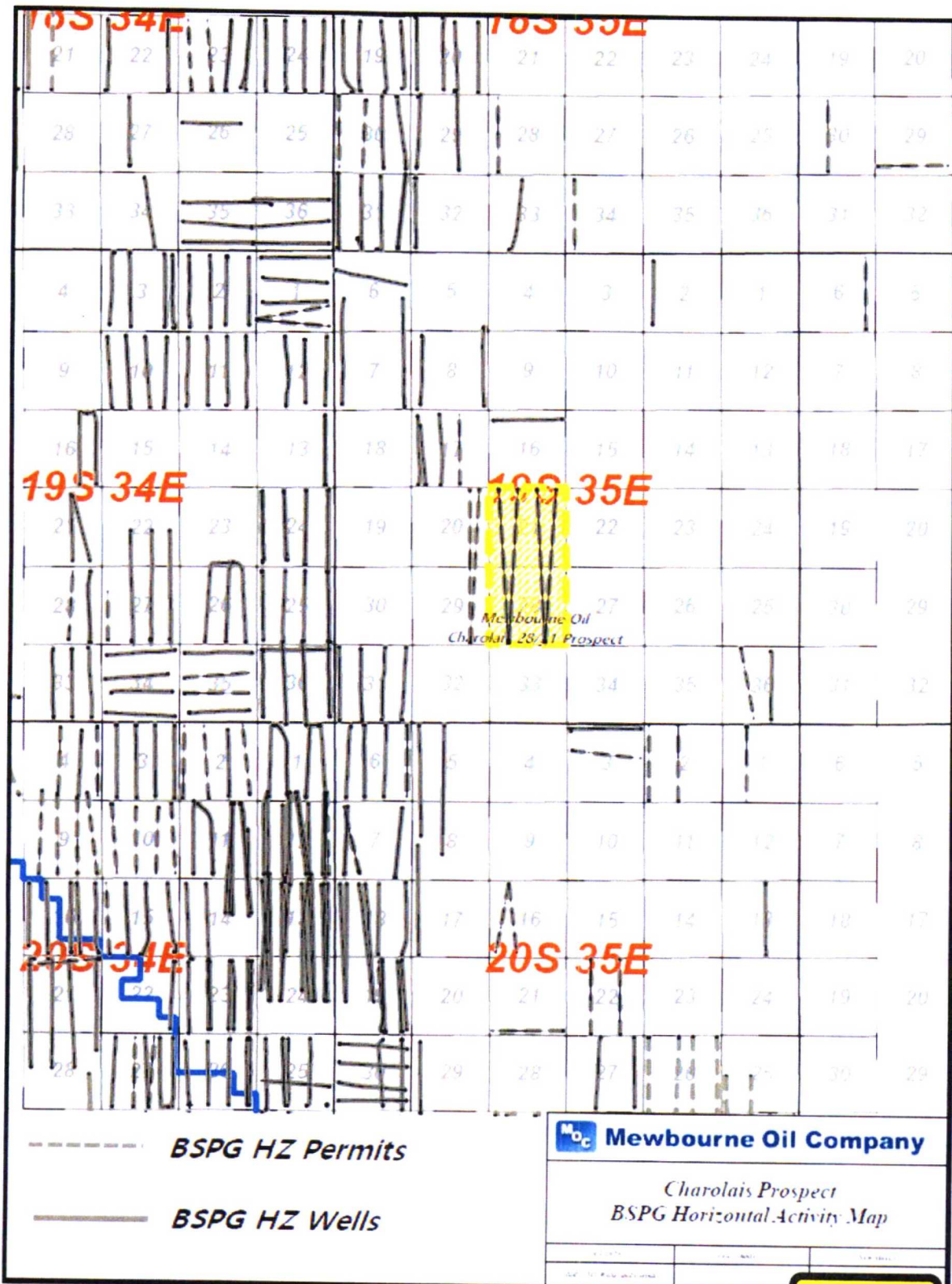
☐ I elect to be covered by Operator's Extra Expense Insurance and pay my proportionate share of the premium.

☐ I elect to purchase my own well control insurance policy.

Joint Owner Interest: _____ Amount: _____

Signature: _____





~ 6 Mile Radius around sections 21 & 28 T19S-R35E

EXHIBIT

D

220 HZ Bone Spring Wells Drilled

83% - 1.0 Mile Laterals

17% - 1.5 Mile Laterals

0% - 2.0 Mile Laterals

58 HZ Bone Spring Wells Drilled since 2017

66% - 1.0 Mile Laterals

34% - 1.5 Mile Laterals

0% - 2.0 Mile Laterals

*Information from IHS Energy